

## REMARKS

### 1. Summary of the Office Action

In the Office Action mailed November 10, 2009, the Examiner: (i) rejected claims 1-13, 15, 26-29, and 31-33 under 35 U.S.C. § 101 as allegedly being directed to non-statutory subject matter; (ii) rejected claims 1-3, 5-7, 10-13, 15-18, 20-23, 25-26, 29, and 31-33 under 35 U.S.C. 102(e) as being anticipated by Levine, (U.S. Patent No. 6,233,566, hereinafter referred to as Levine); (iii) rejected claims 8, 9, and 28 under 35 U.S.C. 103(a) as being unpatentable over Levine in view of Shkedy (U.S. Patent No. 6,236,972, hereinafter referred to as Shkedy); and (iv) rejected claims 4, 19 and 27 under 35 U.S.C. 103(a) as being unpatentable over Levine in view of Hambrecht et al. (U.S. Publication No. 6,629,082, hereinafter referred to as Hambrecht).

### 2. Status of the Claims

Pending are claims 1-5, 8-12, 15-22, 25-29, and 31-32, of which claims 1, 16, and 26 are independent and the remainder are dependent. Applicant has amended claims 1, 4-5, 10, 16, and 26 and canceled claims 3, 6-7, 13, 23, and 33. No new matter has been added. By cancelling these claims, Applicant does not intend to give up coverage for the elements that were recited.

### 3. Response to § 101 Rejections

As noted above, the Examiner rejected claims 1-13, 15, 26-29, and 31-33 under 35 U.S.C. § 101 as being allegedly directed to non-patentable subject matter. As mentioned above, Applicant has cancelled claims 6-7, 13, 23, and 33. Of the claims still pending that were rejected under § 101, claims 1 and 26 are independent.

Independent claim 1 as now amended recites the steps of (a) a computer making a determination that at least one of (i) at least one security matching the investor-specific investment profile of at least one of the accredited investors is available for auction and (ii) at least one derivative structure matching the investor-specific investment profile of at least one of the accredited investors is available for auction and (b) transmitting electronically notice to the at

least one of the accredited investors that at least one of (i) the at least one security matching the investor-specific investment profile of the at least one of the accredited investors is being auctioned and (ii) the at least one derivative structure matching the investor-specific investment profile of the at least one of the accredited investors is being auctioned. These steps are clearly machine implementations and thus meet the test for patentable subject matter set forth by the Federal Circuit in the *Bilski* case. Therefore, claim 1 is directed to patentable subject matter, and claims 2, 4-5, 8-12, 15 and 32 are directed to patentable subject matter due to their dependency from independent claim 1.

Independent claim 26 as now amended recites the steps of (a) computer making a determination that at least one security matching the investor-specific investment profile of at least one of the accredited investors is available for auction and (b) transmitting electronically notice to the at least one of the accredited investors that a security matching the investor-specific investment profile of the at least one of the accredited investors is being auctioned. These steps are clearly machine implementations and thus meet the test for patentable subject matter set forth by the Federal Circuit in the *Bilski* case. Therefore, claim 26 is directed to patentable subject matter, and claims 27-29 and 31 are directed to patentable subject matter due to their dependency from independent claim 26.

In light of the above, Applicant respectfully requests withdrawal of the § 101 rejections.

#### **4. Response to § 102 Rejections**

As noted, the Examiner rejected independent claims 1, 16, 26, and 33 and dependent claims 2-3, 5-15, 17-18, 20-25, and 28-32 under 35 U.S.C. §102(e) as being anticipated by Levine. Applicant has canceled claims 3, 6-7, 13, 23, and 33. Of the claims still pending that were rejected under 35 U.S.C. §102(e), claims 1, 16, and 26 are independent.

Applicant has amended claim 1 to recite the element of “prescreening securities based on private equity to ensure that the securities meet at least one predetermined criteria, wherein the at

least one predetermined criteria comprises that the securities are securities selected from the group consisting of venture-backed securities, private-equity-backed securities, and limited partnership interests.” Further, Applicant has amended claim 1 to recite the element of “registering in a computer database the securities based on private equity as well as derivative structures of the securities based on private equity.” Applicant respectfully submits that Levine does not disclose or suggest the elements of claim 1 as currently amended.

First, Levine does not show or suggest “prescreening securities based on private equity to ensure that the securities meet at least one predetermined criteria, wherein the at least one predetermined criteria comprises that the securities are securities selected from the group consisting of venture-backed securities, private-equity-backed securities, and limited partnership interests.” As mentioned in the specification, it is not an intention of the present invention to sell just any security that the seller desires. (*See* Applicant’s Specification, paragraph [0022].) Beneficially, prescreening the securities based on private equity ensures that quality securities are offered in the secondary market for private equity of claim 1. (*Id.*) Thus, prescreening securities in accordance with claim 1 ensures that only quality securities are offered in the secondary market of claim 1.

Levine deals with an online centralized financial products exchange system for the trading of loans. (See, e.g., Levine, Abstract.) In particular, Levine deals with a centralized marketplace for the trading of loan products and for end-to-end loan handling, i.e., over the lifetime of a loan. (Levine, column 5, lines 57-60.) In the system of Levine, a loan or pool of loans may be sold from a seller to a buyer. As described in Levine, a person wishing to sell a loan or loan pool may access system 200 via workstation 280d to publish a loan or loan pool from sale. However, in Levine, the loans are not prescreened to ensure that they meet at least one predetermined criteria, wherein the at least one predetermined criteria comprises that the securities are securities selected from the group consisting of venture-backed securities, private-

equity-backed securities, and limited partnership interests. In particular, there is no disclosure or suggestion in Levine that the loans are prescreened to ensure that the loans are venture-backed, private equity backed, or limited partnership interests.

In the rejection of claim 13, the Examiner asserted that Levine discloses that the securities that are qualified are venture-backed securities. (Office Action, page 7.) The Examiner specifically refers to column 16, lines 1-8 of Levine and refers to the “mortgage-backed securities” of Levine. (*Id.*) However, as is known in the art, venture is private equity capital typically provided for early-stage, high-potential, growth companies in the interest of generating a return through an eventual realization event, such as an Initial Public Offering (IPO) or trade sale of the company. In contrast, as is known in the art, a mortgage-backed security (MBS) is an asset-backed security or debt obligation that represents a claim on the cash flows from mortgage loans. Most commonly, the mortgage loans are mortgage loans on residential property. Therefore, venture-backed securities are not the same as mortgage-backed securities. Further, mortgage-backed securities are not the same as private equity backed securities or limited partnership interests. Thus, Levine does not disclose the element of prescreening securities based on private equity to ensure that the securities meet at least one predetermined criteria, wherein the at least one predetermined criteria comprises that the securities are securities selected from the group consisting of venture-backed securities, private-equity-backed securities, and limited partnership interests.

As mentioned above, this element of prescreening ensures that only quality securities are on the secondary market of claim 1. Investors using the secondary market of claim 1 may beneficially know that the seller or sellers are offering quality securities. Because investors know that only quality securities are offered on the secondary market of claim 1, there is no need for investors to perform due diligence after participating in a sale in the secondary market of claim 1. However, this is not the case in Levine. As explained in Levine with respect to loan exchange,

“[w]hen a buyer typically purchases a loan, the sale is contingent upon the buyer conducting a due diligence investigation on the loan file or a statistical sampling of loan files, if a pool of loans is purchased.” (Levine, column 24, lines 11-4.) According to Levine, this due diligence may be performed by a trust company. (*Id.* at column 24, lines 16-56.) The trust company may determine whether the loans are certified or not. If the loans are not certified, the loan files are returned by the trust company to the seller. (*Id.* at column 24, lines 54-56.) Thus, in Levine, the loans are not prescreened to ensure that the loans are quality loans.

In light of the above, Levine does not show or suggest prescreening securities based on private equity to ensure that the securities meet at least one predetermined criteria, wherein the at least one predetermined criteria comprises that the securities are securities selected from the group consisting of venture-backed securities, private-equity-backed securities, and limited partnership interests. For at least this reason, Levine does not disclose or suggest all of the elements of claim 1. Thus, Levine fails to teach the invention of claim 1.

Second, as mentioned above, Applicant has amended claim 1 to recite the elements of “registering in a computer database the securities based on private equity as well as derivative structures of the securities based on private equity” and “auctioning at least one of the at least one security and the at least one derivative structure to the accredited investors over an electronic network.” Support for these claim amendments is found throughout the specification including, for instance, at paragraph [0035]. Levine does not show or suggest registering in a computer database derivative structures of the securities based on private equity and auctioning the derivative structures over an electronic network. Rather, at best, Levine shows registering and offering for sale loans or pools of loans. (See, e.g., Levine, column 21.) As mentioned in the specification, an object of the invention is to establish a secondary market for the buying and selling of traditionally illiquid securities over a network. (See Specification, paragraph [007].) Beneficially, offering derivative structures of securities based on private equity may help to

establish a secondary market for the buying and selling of traditionally illiquid securities over a network. For at least this reason as well, Levine does not disclose or suggest all of the elements of claim 1. Thus, Levine fails to teach the invention of claim 1.

In light of the above, Applicant submits that claim 1 is allowable. Furthermore, Applicant submits that claims 2, 4-5, 8-12, 15, and 32 are allowable as well for at least the reason that they depend from allowable claim 1.

Similar to the amendments of claim 1, Applicant has amended independent claims 16 and 26 to recite, in one form or another, the element of prescreening securities based on private equity to ensure that the securities meet at least one predetermined criteria, wherein the at least one predetermined criteria comprises that the securities are securities selected from the group consisting of venture-backed securities, private-equity-backed securities, and limited partnership interests. Consequently, for at least the reasons discussed above in reference to the prescreening element of claim 1, Applicant submits that independent claims 16 and 26 are allowable. Furthermore, Applicant submits that claims 22, 25, 27-29, and 31 are allowable as well for at least the reason that they depend from allowable claim 16 or allowable claim 26.

#### **5. Response to § 103 Rejections**

The Examiner has rejected dependent claims 8, 9, and 28 under 35 U.S.C. 103(a) as being unpatentable over Levine in view of Shkedy. The Shkedy reference is directed towards a method and apparatus for facilitating transactions on a commercial network system. The Shkedy reference fails, however, to teach the element of prescreening securities based on private equity to ensure that the securities meet at least one predetermined criteria, wherein the at least one predetermined criteria comprises that the securities are securities selected from the group consisting of venture-backed securities, private-equity-backed securities, and limited partnership interests. Thus, Shkedy fails to make up the deficiency of the Levine reference as described

above. Therefore, Applicant respectfully submits that dependent claims 8, 9, and 28 are in good and proper form for allowance.

The Examiner has rejected dependent claims 4, 19, and 27 under 35 U.S.C. §103(a) as being unpatentable over Levine in view of Hambrecht. The Hambrecht reference is directed to a method for determining the final offering price and allocations of stock of a company in the event of a public offering, wherein the company is seeking to raise capital through the sale of equity into the public market. The Hambrecht reference fails, however, to teach the element of prescreening securities based on private equity to ensure that the securities meet at least one predetermined criteria, wherein the at least one predetermined criteria comprises that the securities are securities selected from the group consisting of venture-backed securities, private-equity-backed securities, and limited partnership interests. Thus, Hambrecht fails to make up the deficiency of the Levine reference as described above. Therefore, Applicant respectfully submits that dependent claims 4, 19, and 27 are in good and proper form for allowance.

## **6. Conclusion**

In light of the foregoing, applicants submit that claims 1-2, 4-5, 8-12, 15-22, 25-29, and 31-32 are allowable, and notice to that affect is hereby requested. The Examiner is invited to telephone the undersigned at (312) 913-3350 if further dialog would help move the present application to issuance.

Respectfully submitted,

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